

Incentivizing No-Rush Delivery in **Omnichannel Retail**





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Motivation / Background



https://www.census.gov/retail/index.html#ecommerce.



amazon *Prime*

FREE Two Day Shipping



Key Question / Hypothesis

What incentives should omnichannel retailers offer to motivate online customers to choose longer lead time options and minimize total logistics cost?

Relevant Literature

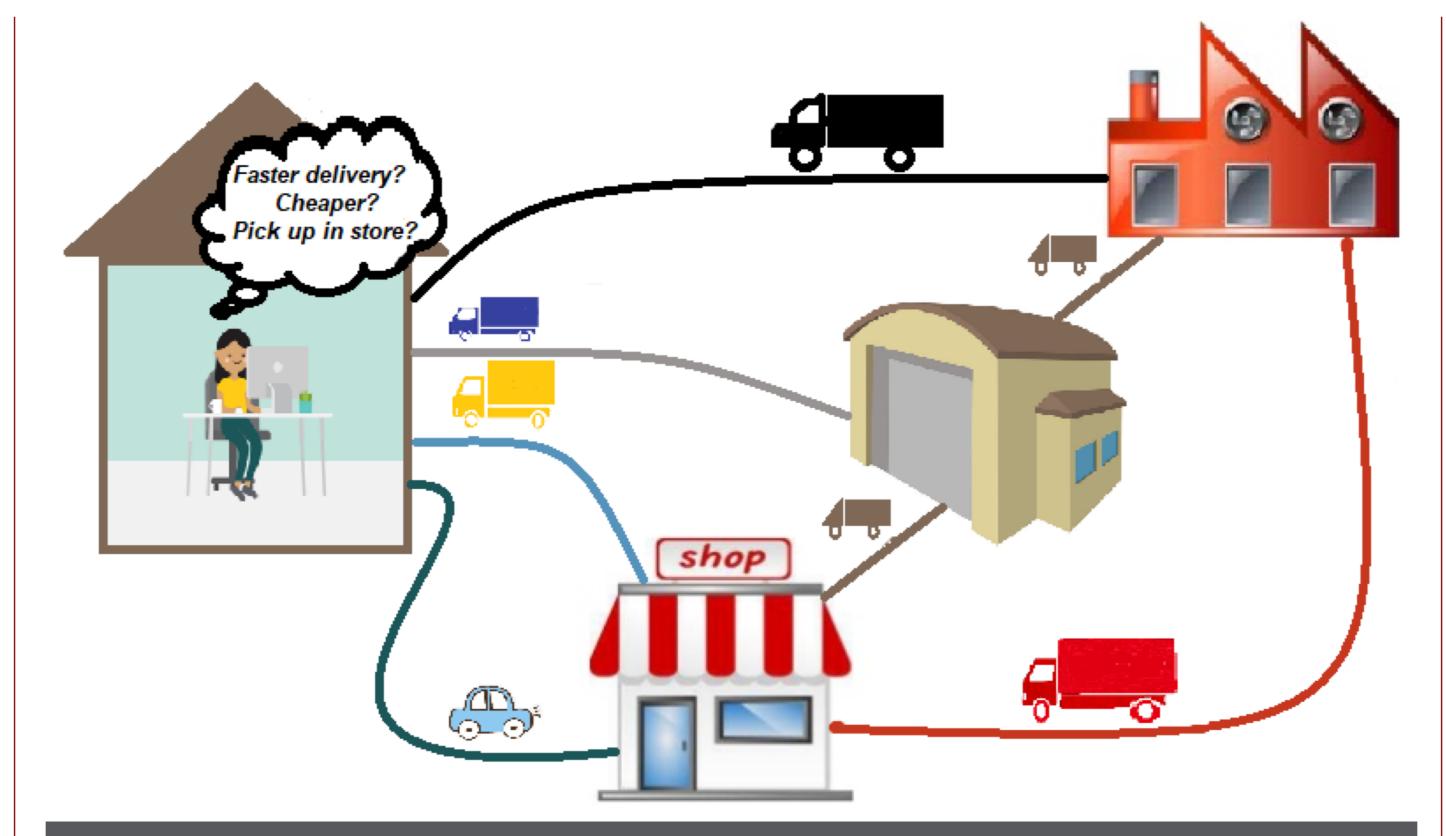
Delivery cost model Campell and Savelsbergh (2005) Agatz et al (2013)

Customer behavior model Chintagunta et al (2009)

Campell and Savelsbergh (2006) Asdemir et al (2009)

Incentives to influence customer delivery choice

Rabinovich (2018)



The Problem

Logistics costs in 2017 represented 7.7% of the US GDP with transportation costs adding up to 64.6% of total logistics costs*. As online retail continues to grow and demand for shorter delivery lead times increases, transportation costs represent an important opportunity for cost minimization.



*http://www.scdigest.com/firstthoughts/18-06-21.php?cid=14356.

Methodology Pick, Pack Vehicle Customer and Handling Routing Survey Costs **Problem** Delivery **Custome** Cost Behavior Service Incentives Model Model Delivery Rates Minimize Total Logistics Costs

Initial Results \$1-10 \$3 Happy Incentives in **Belly Snack** the Market discount on Credit current Amazon order \$1 Digital **\$20 Home** Content Credit \$1-20 Store **Services** for No-Rush **Credit (No Restriction)** Credit Amazon Amazon \$5 Pantry 1-5% \$5 Whole Foods **Market Credit** Credit Discount o for No-Rush Amazon current **Shipping** order Incentives to Amazon

Expected Contribution

Tabjeel Ashraf

This project will seek to inform the optimal incentives that should be provided in order to minimize delivery costs. The consumer behavior model will give insight into the factors that affect customer decisions. The delivery cost model will break down the contributing logistics costs and show cost saving opportunities for omichannel retailers.



Alison Heuser

